

Audit Requirements

The CIWMB has responsibility for the implementation of the California Oil Recycling Enhancement Act (Act). With this responsibility comes oversight. The CIWMB itself is audited on the way it manages and implements the Act. The CIWMB also ensures sound implementation through external audits of program participants including Grantees. Audits are performed to ensure that grant funds are being spent properly on used oil and filter recycling activities. Most Grantees will be audited at some time. While this may sound daunting, it does not have to be.

Proper record keeping is the key to a successful audit. Most local jurisdictions follow Generally Accepted Accounting Principals (GAAP). GAAP sets out how income and expenditures are tracked and documented. If GAAP is being applied consistently, audit findings are likely to be few. Please provide all audit questions in writing to the CIWMB's auditor. Questions can be mailed to the address below.

California Integrated Waste Management Board
Administration And Finance Division – MS# 10
Attn: Grant Auditor
1001 "I" Street, PO Box 4025
Sacramento, CA 95812-4025

The best way to ensure an 'audit-proof' grant is to share the grant documents with your Financial or Accounting staff. This way they will see the requirements and can make adjustments to their systems if necessary to account for the grant funds. This is especially critical now, with the advance payment of Block Grant funds, because Grantees are responsible for maintaining ALL grant related expenditure documentation at the local level.

Examples of audit documentation include, but are not limited to:

- expenditure ledger;
- payroll register entries, time sheets (must include tracking by tasks), or Personnel Expenditure Summary Form, (www.ciwmb.ca.gov/hhw/forms);
- travel expense log;
- paid warrants;
- contracts and change orders;
- all original receipts, invoices, and canceled checks;
- original documentation indicating goods were received;
- Internally approved cost allocation plan; and
- copies of any exceptions to Procedures and Requirements approved by Grant Manager.

Grantees must also provide copies of materials produced or purchased with grant funds. If originals are not retained, a video or photos will suffice. Conform to publicity and education and reporting requirements as outlined in Chapters 6 and 7.

Overhead and indirect costs can be claimed by Grantees. The following guidelines must be used when claiming these costs:

- The total cost of overhead and indirect cost charged to the grant shall not exceed ten percent (10%) of the grant award amount. These costs are expenditures not capable of being assigned and not readily itemized to a particular project or activity, but considered necessary for the operation of the organization and the performance of the program. The costs of operating and maintaining facilities, accounting services, and administrative salaries are examples of overhead and indirect costs. All overhead and indirect costs charged to the grant must be associated with grant related activities.
- Direct costs charged directly to the grant shall not be included in the overhead/indirect cost formula.
- Supervision performed by Managers and Supervisors can be included in the overhead/indirect cost formula; and therefore, will not be a direct charge to the grant. On the other hand, if a Manager or Supervisor performs an activity that is directly related to the execution of the grant (not supervision), costs associated with this activity may be included as a direct charge. However, any such activity must be **clearly supported** by appropriate documentation and shall not be charged to the grant as overhead or indirect cost.
- The Grantees must maintain organized and accurate records that follow generally accepted accounting principles and leave an audit trail. The Grantee must provide access to all documents related to the grant program and fiscal operation of the grant program as deemed necessary by the CIWMB. The Grantees must have on file an internally approved Cost Allocation Plan which specifically documents how the cost amount was established and which is supported by formal accounting records to substantiate the charges. The Cost Allocation Plan must be approved by an appropriate Supervisor/Manager in your agency. The Cost Allocation Plan must identify program elements included in the overhead/indirect cost calculation. See the sample "Cost Allocation Plan" calculation listed below:

Total department indirect cost *divided by* total department direct cost base* equals the overhead/indirect cost rate.

- For grant awards in excess of \$15,000, if the Grantee utilizes a contractor to administer and/or implement the grant, then the overhead and indirect costs of such contractor may be charged to the grant only to the extent that such costs could have been charged by the Grantee.

*Total direct salaries and wages, total direct costs, or some other appropriate base could be substituted as the base in developing the overhead/indirect cost rate replacing the "total department direct cost base."

Also as part of this Block Grant Agreement, the Grantee agrees that the Board, the Bureau of State Audits, the Department of Finance, or their designated representative(s) shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. The Grantee agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated, or until completion of any action and resolution of all issues which may arise as a result of any litigation, dispute or audit, whichever is later. The Grantee agrees to allow the designated representative(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, the Grantee agrees to include a similar right of the State to audit records and interview staff in any contract or subcontract related to performance of this Agreement.

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